

HOUSE BILL 1235  
By Johnson R

AN ACT to amend Tennessee Code Annotated, Title 45,  
relative to the delivery or disbursement of funds  
related to a real estate purchase or loan  
transactions.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 45, is amended by adding the following  
language as a new chapter:

Section 45-20-101. As used in this chapter, unless the context otherwise  
requires, the terms "mortgage", "mortgage lender", "mortgage loan broker" and  
"mortgage loan servicer" shall be defined as stated in §45-13-102; except, however, for  
the purposes of this chapter, the term "mortgage loan" means a loan secured by a  
mortgage, intended for any purpose.

Section 45-20-102.

(a) No mortgage lender, mortgage loan broker, or mortgage loan servicer  
may knowingly deliver funds for disbursement at closing or settlement of a  
mortgage loan except in one (1) or more of the following forms:

(1) Cash;

(2) Federal funds wire transfer;

(3) A bank's cashier check, or its equivalent issued by a savings  
and loan association or credit union; or

(4) Treasury warrant issued by the state or any political  
subdivision or any agency thereof.

Section 45-20-103. No person shall knowingly disburse funds from an escrow or  
settlement account in connection with a mortgage loan transaction until good funds have

been received by the disbursing agent and such funds are designated for said mortgage loan transaction, sufficient to fund all except one thousand dollars (\$1,000) of the total disbursements to be made with respect to said mortgage loan transaction. For purposes of this section, "good funds" are monies received by any one (1) or more of the methods enumerated in § 45-20-102(a).

Section 45-20-104. Any party violating this chapter is liable to any other party suffering a loss due to such violation, for any actual damages sustained, plus reasonable attorneys' fees. In addition, any party in violation of this chapter shall pay to the party or parties suffering a loss an amount equal to one thousand dollars (\$1,000), or double the amount of interest payable on the mortgage loan for the first sixty (60) days after the loan closing, whichever amount is greater.

Section 45-20-105. Any party may bring an action in chancery court for declaratory or injunctive relief to prevent any violations of this chapter.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.